

INSURANCE REGULATORY EXAMINERS SOCIETY

AUDITED STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS

DECEMBER 31, 2000

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Insurance Regulatory Examiners Society
Olathe, KS

We have audited the accompanying statement of cash receipts and disbursements of Insurance Regulatory Examiners Society (a Missouri Not-for-Profit Corporation) for the year ended December 31, 2000. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, this financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts and disbursements of Insurance Regulatory Examiners Society for the year ended December 31, 2000, on the basis of accounting described in Note A.

Richmond, Virginia
April 24, 2001

INSURANCE REGULATORY EXAMINERS SOCIETY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

UNRESTRICTED ASSETS

CASH RECEIPTS

Seminars	\$133,235
Member dues	52,608
Sustaining member dues	50,710
Foundation grants	10,000
Continuing education fees	8,565
Interest income	5,313
Miscellaneous income	<u>1,833</u>
TOTAL CASH RECEIPTS	<u>262,264</u>

CASH DISBURSEMENTS

PROGRAM SERVICES

Seminar expense - 2000	119,304
Seminar expense - 1999	57,055
Program service contract	36,900
Newsletter	21,880
Continuing education expenses	21,185
Website	8,093
Committee meetings	3,590
Awards	<u>900</u>
TOTAL PROGRAM SERVICES	<u>268,907</u>

SUPPORTING SERVICES

Management contract	32,800
Postage	4,803
Telephone	1,437
Board meetings	1,345
Supplies and miscellaneous	1,289
Printing	1,027
Professional fees	<u>550</u>
TOTAL SUPPORTING SERVICES	<u>43,251</u>

See Notes to Cash Basis Financial Statement

INSURANCE REGULATORY EXAMINERS SOCIETY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2000

FUNDRAISING SERVICES	
Fundraising contract	12,300
Printing	<u>844</u>
TOTAL FUNDRAISING SERVICES	<u>13,144</u>
TOTAL CASH DISBURSEMENTS	<u>325,302</u>
DEFICIT OF CASH RECEIPTS IN EXCESS OF CASH DISBURSEMENTS	(63,038)
CASH AT JANUARY 1, 2000	<u>136,183</u>
CASH AT DECEMBER 31, 2000	<u>\$ 73,145</u>

See Notes to Cash Basis Financial Statement

INSURANCE REGULATORY EXAMINERS SOCIETY

NOTES TO CASH BASIS FINANCIAL STATEMENT

DECEMBER 31, 2000

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Insurance Regulatory Examiners Society (the "Society") was incorporated as a General Not-For-Profit Missouri Corporation in October, 1987. The Society was formed to establish professional and ethical standards; to promote and enforce minimum requirements of conduct, training and expertise; and to develop educational and training programs for members engaged in regulation of the insurance industry. The Society also seeks to provide national recognition and respect for members upon whom it has accredited and certified.

Basis of Accounting

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of any receivables or obligations for expenses unpaid at the date of the financial statement are not included in the financial statement.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Society is required to report information regarding its activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Society has no temporarily or permanently restricted net assets.

Donated Services

No amounts have been reflected in the financial statement for donated services. The Society generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Society with specific assistance programs, campaign solicitations, and various committee assignments.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Cash Receipts and Disbursements. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the disclosure of contingent assets and liabilities, and the reported cash receipts and disbursements. Actual results could differ from those estimates.

INSURANCE REGULATORY EXAMINERS SOCIETY

NOTES TO CASH BASIS FINANCIAL STATEMENT

DECEMBER 31, 2000

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Society is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

NOTE B - CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$69,090 (\$90,168 at January 1, 2000) are included in cash in the accompanying financial statement. The certificates bear interest ranging from 4.79% to 5.75% and have maturities ranging from three to nine months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statement.

NOTE C - MAJOR SUPPLIER/CONTRACT

The Society has contracted with Chartrand Communications (a Kansas sole proprietor) to perform the majority of its management functions. Under the contract, Chartrand Communications (Chartrand) performs office management and secretarial services including consultation with officers and committees of the Society concerning management and financial policies; membership development and recruitment; administrative staffing for committees; dues billing and collection; banking functions; financial reporting; seminar and continuing education planning and administration; editing the Society newsletter; maintaining and updating membership records; and to supervise, manage and staff the Society's mandatory continuing education program.

The agreement commenced January 1, 2000 and ended December 31, 2000, a similar agreement for the year 2001 was entered into December 1, 2000.

The agreement may be terminated by either party without cause upon sixty days advance written notice.

For 2000, the agreement included compensation of a base fee of \$82,000 payable in monthly installments of \$6,833.33. An additional \$20,000 was paid for management and operation of the Society's continuing education program. This was paid in quarterly installments of \$5,000. Chartrand was also reimbursed for all printing and postage, travel (outside of Kansas City, MO), entertainment and long distance charges. These expenses were reimbursed monthly.